



Health Services
LOS ANGELES COUNTY

Los Angeles County
Board of Supervisors

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michaël D. Antonovich
Fifth District

John F. Schunhoff, Ph.D.
Interim Director

Robert G. Splawn, M.D.
Interim Chief Medical Officer

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: 213-240-8101
Fax: 213-481-0503

www.dhs.lacounty.gov

*To improve health
through leadership,
service and education*



www.dhs.lacounty.gov

September 8, 2009

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**AMENDMENT TO NURSE ADVICE LINE AND DISEASE/CARE
MANAGEMENT SERVICES AGREEMENT
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval to amend an agreement for the provision of Nurse Advice Line, complex case management, disease management, and Wellness Program services to the Department of Health Services (DHS or Department) Community Health Plan (CHP).

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Interim Director of Health Services, or his designee (Interim Director), to execute Amendment No. 1 to Agreement No. H-703016, with McKesson Health Solutions, LLC (McKesson), effective upon Board approval, to revise the contract language required by the State Department of Managed Health Care (DMHC), and effective May 1, 2009 to reduce the rates for the Nurse Advice Line and suspend the underutilized Wellness Program.
2. Delegate authority to the Interim Director to execute future amendments to the Agreement with McKesson, including: a) suspend or terminate underutilized or ineffective contracted services; b) revise or incorporate provisions consistent with the related funding agreement, such as State laws and regulations, National Committee for Quality Assurance accreditation requirements, County Ordinance, and Board policy; c) make appropriate changes to the Agreement to improve operational efficiencies, add clarity, and/or correct errors and omissions; and d) adjust rates to achieve further cost savings for the County, subject to prior review and approval by County Counsel and the Chief Executive Office, with notification to your Board.

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

25

SEPTEMBER 8, 2009

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Approval of the first recommendation will allow the Interim Director to execute an Amendment, substantially similar to Exhibit I, to make several changes to the current Agreement.

As a Knox-Keene licensed health plan, CHP is required to submit health care and administrative support service agreements to DMHC for its review and approval. The DMHC requires the McKesson Agreement be amended to include contract language changes related to: 1) access to records; 2) monitoring of McKesson personnel and services to ensure compliance with regulatory standards; 3) disclosure of Health Insurance Portability and Accountability Act (HIPAA) security incidents; 4) handling of Protected Health Information; 5) grievance reporting; and, 6) record keeping. The revisions required by the DMHC set forth in the Amendment do not change services or cost and are regulatory in nature.

Additionally, the recommended Amendment will allow CHP to obtain a 14.1 percent volume discount for the heavily utilized Nurse Advice Line service, and suspend an underutilized web-based Wellness Program. As a health maintenance organization, CHP routinely reviews the cost-effectiveness of its agreements and identified opportunities to obtain lower costs in the McKesson Agreement after reviewing utilization trend reports. Trend analysis indicated the Nurse Advise Line service was heavily utilized, prompting CHP to seek the volume discount. Comparatively, the Wellness Program was virtually not accessed by CHP members and CHP requested McKesson to discontinue those services and associated charges effective May 1, 2009. After initial consultations with County Counsel and successful re-negotiation of these terms with McKesson, CHP planned to amend the Agreement under the Department's delegated authority. However, after further discussions with the Chief Executive Office (CEO) and County Counsel, it was determined that the Nurse Advice Line volume discount and suspension of the Wellness Program required your Board's approval.

Approval of the second recommendation will delegate authority to the Interim Director to enable CHP to make future changes to the Agreement to reduce costs and make necessary regulatory changes as requested from oversight agencies, contingent upon County Counsel and CEO approval, with notification to your Board.

Implementation of Strategic Plan Goals

The recommended actions support Goal 1, Operational Effectiveness, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

This recommended Amendment will allow for an estimated cost savings of \$36,686 per month as a result of the suspension of the Wellness Program. The reduction in costs

for the Nurse Advice Line service will result in an estimated monthly savings of \$4,740. Fiscal Year (FY) 2008-09 actual savings is \$82,852; and the FY 2009-10 and annually thereafter is \$497,112. FY 2009-10 may reflect this savings in the Supplemental Budget Resolution budget request.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On November 27, 2007, your Board approved Agreement No. H-703016 with McKesson for the provision of nurse advice line, complex case management, disease management, and wellness program services to Coverage Initiative (Healthy Way LA or HWLA), enrollees and/or CHP members, through January 31, 2011.

The proposed Amendment contains language to specifically allow the DMHC the right to review and monitor the contractor's programs, policies, procedures, and financial or other records including through on-site access to McKesson's records. Additionally, the HIPAA language regarding reporting security incidents and disposition of protected health information upon termination or expiration of the Agreement has been strengthened at DMHC's request.

Exhibit I has been approved as to form by County Counsel.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommended actions will achieve cost-savings for the County, and enable continued compliance with CHP's oversight agencies.

Respectfully submitted,



John F. Schunhoff, Ph.D.
Interim Director

JFS:ss

Attachment

c: Chief Executive Officer
Acting County Counsel
Executive Officer, Board of Supervisors
McKesson BL

Contract No. H-703016-1

COUNTY OF LOS ANGELES - COMMUNITY HEALTH PLAN
NURSE ADVICE LINE AND DISEASE/CARE MANAGEMENT
SERVICES AGREEMENT

AMENDMENT NO. 1

THIS AMENDMENT is made and entered into this _____ day
of _____, 2009

by and between

COUNTY OF LOS ANGELES
(hereafter "County"),

and

MCKESSON HEALTH SOLUTIONS LLC
(hereafter "Contractor").

WHEREAS, reference is made to that certain document
entitled "NURSE ADVICE LINE AND DISEASE/CARE MANAGEMENT
SERVICES AGREEMENT," dated November 27, 2007, identified as
Agreement No. H-703046 (hereafter "Agreement");

WHEREAS, the parties wish to amend this Agreement to
provide changes set forth herein; and

WHEREAS, both parties acknowledge a pricing reduction for
the Nurse Advice Line services resulting from high-volume usage
and the suspension of the Wellness Program due to the
underutilization of the service, both to be effective on May 1,
2009.

WHEREAS, Agreement provides that changes may be made in the form of written amendment which is formally approved and executed by both parties.

NOW, THEREFORE, the parties agree as follows:

1. This Amendment shall become effective upon Board approval and signatures affixed by the parties.

2. Subparagraphs F and G shall be added to Paragraph 14, SUBCONTRACTING, to read as follows:

"F. Contractor shall notify County in writing of any change in Subcontractors performing services under this Agreement outside of California, or any change in location or maintenance of Subcontractor's performance records located outside of California, at least sixty (60) calendar days prior to the effective date of such change." County acknowledges that Contractor's current Subcontractors and their records are outside of California.

G. Notwithstanding Paragraph 14(B) immediately above, Contractor shall ensure that its Subcontracts requires the Subcontractor to grant access to authorized representatives from the State Department of Managed Health Care (DMHC) to perform its duties as a regulator, which includes, but is not limited to, audits, complaint investigations, and medical surveys."

3. Additional Provisions, Paragraph 1, ADMINISTRATION AND MONITORING, Subparagraph B, shall be revised to read as follows:

"B. Monitoring: Contractor extends to Director, and to authorized representatives of the County, federal, and State governments (including, but not limited to, the Department of Managed Health Care), L.A. Care Health Plan, and National Committee for Quality Assurance, the right to review and monitor Contractor's personnel and services, to include onsite visits to Contractor's office(s), and to verify compliance with applicable standards and regulations and with the terms of this Agreement. Further, Contractor agrees to extend to Director and to authorized representatives of the County, federal, and State governments (including the Department of Managed Health Care), L.A. Care Health Plan, and National Committee for Quality Assurance, the right to review and monitor Contractor's programs, policies, procedures, and financial and/or other records, and to inspect its facilities, or work areas, for contractual compliance at any reasonable time.

All such inspections related to services provided under this Agreement shall be conducted during Contractor's normal business hours in a manner which will not interfere with Contractor's operations. Director shall provide Contractor with at least ten (10) working days prior

written notice of any audit/compliance review, unless otherwise waived by Contractor."

4. Additional Provisions, Paragraph 14, RECORDS AND AUDITS, Subparagraph D, shall be revised to read as follows:

"D. Audit/Compliance Review: In the event that authorized representatives from the County or State Department of Managed Health Care (DMHC) conduct an audit/compliance review of Contractor, Contractor shall fully cooperate with such representatives. Contractor shall allow County and DMHC representatives access to all records of services rendered and all financial records and reports pertaining to this Agreement, and shall allow photocopies to be made of these documents utilizing Contractor's photocopier, for which the County shall reimburse Contractor its customary charge for record copying services, if requested. Director shall provide Contractor with at least ten (10) working days prior written notice of any audit/compliance review, unless otherwise waived by Contractor. Records shall be available within 48 business hours upon request from County, authorized representative, or DMHC.

County may conduct a statistical sample audit/compliance review of all claims paid by County during a specified period. The sample shall be determined in

accordance with generally accepted auditing standards. An exit conference shall be held following the performance of such audit/ compliance review at which time the results shall be discussed with Contractor. Contractor shall be provided with a copy of any written evaluation reports.

Contractor shall have the opportunity to review County's findings for Contractor, and Contractor shall have thirty (30) calendar days after receipt of County's audit/compliance review results to provide documentation to the County representatives to resolve the audit exceptions. If, at the end of the thirty (30) calendar day period, there remain audit exceptions which have not been resolved to the satisfaction of County's representatives, then the exception rate found in the audit or sample shall be applied to the total County payment made to Contractor for all claims paid during the audit/compliance review period to determine Contractor's liability to County."

5. Additional Provisions Paragraph 17, CONTRACTOR'S OBLIGATIONS AS A BUSINESS ASSOCIATE UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 ("HIPAA"), Subparagraph B, Section 3, shall be revised to read as follows:

(3) Reporting Non-Permitted Use or Disclosure and Security Incidents: Business Associate shall report to Covered Entity each Use or Disclosure that is made by

Business Associate, its officers, employees, agents, representatives, or subcontractors, but is not specifically permitted by this Agreement, as well as, effective April 20, 2005, each Security Incident of which Business Associate becomes aware. The initial report shall be made by telephone call to Covered Entity's Departmental Privacy Officer at 1-(800) 711-5366 within forty-eight (48) hours from the time the Business Associate becomes aware of the non-permitted Use, Disclosure, or Security Incident, followed by a full written report no later than ten (10) working days from the date the Business Associate becomes aware of the non-permitted Use, Disclosure, or Security Incident to the Covered Entity's Chief Privacy Officer, at: Chief Privacy Officer; Kenneth Hahn Hall of Administration; 500 West Temple Street, Suite 493; Los Angeles, California 90012.

6. Additional Provisions Paragraph 17, CONTRACTOR'S OBLIGATIONS AS A BUSINESS ASSOCIATE UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 ("HIPAA"), Subparagraph B, Section 4 shall be revised to read as follows:

"(4) Mitigation of Harmful Effect: Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a Use or Disclosure of Protected Health Information by Business Associate in violation

of the requirements of this Paragraph.

In the event that there has been an unauthorized acquisition of Contractor's computerized data that compromises the security, confidentiality, or integrity of protected health information of persons served under this Agreement by Contractor, the Contractor's disclosure of such breach to County shall be made in the most expedient time possible without unreasonable delay. Upon receipt of Contractor's notification to County, County shall promptly notify persons affected by this breach and served under this contract in accordance with Section 1798.29 of the Civil Code.

7. Additional Provisions Paragraph 17, CONTRACTOR'S OBLIGATIONS AS A BUSINESS ASSOCIATE UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 ("HIPAA"), Subparagraph D, Section 3, shall be revised to read as follows:

"(3) Disposition of Protected Health Information Upon Termination or Expiration:

- a. Except as provided in Sub-subparagraph
- b. of this section, upon termination for any reason or expiration of this Agreement, Business Associate shall return or destroy all Protected Health Information received from Covered Entity or created, or received, by Business Associate on

behalf of Covered Entity. This provision shall apply to Protected Health Information that is in the possession of agents, representatives, or subcontractors, of Business Associate. Business Associate shall retain no copies of the Protected Health Information.

b. In the event that Business Associate determines that returning or destroying the Protected Health Information is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make it infeasible. If return or destruction is infeasible, Business Associate shall extend the protections and accessibility rights to authorized representatives from the County or DMHC of this Agreement, to such Protected Health Information and limit further Uses and Disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such Protected Health Information."

8. Additional Provisions, Paragraph 32, COMPLAINTS, shall be replaced in its entirety to read as follows:

"32. Grievances and Complaints:

Contractor shall develop, maintain and operate procedures for receiving, investigating and responding to grievances and complaints, including appeals thereof. Within thirty (30) calendar days after the effective date of this Agreement, contractor shall provide County with the Contractor's policy for receiving, investigating and responding to user complaints.

County will review the Contractor's policy and provide Contractor with approval of said plan or with requested changes.

If County requests changes in the Contractor's policy, Contractor shall make such changes and resubmit the plan within five (5) business days for County approval. If, at any time, Contractor wishes to change Contractor's policy, Contractor shall submit proposed changes to County for approval before implementation.

Contractor shall report routine grievances and complaints, including appeals thereof, from CHP and HWLA members and medical providers for services provided under this Agreement, by completing and forwarding an agreed upon Grievance Form by both parties to CHP of such complaint, grievance, or appeal by 5:00 p.m., Pacific Time, of the next business day after the complaint, grievance, or appeal was received. Consent by the Contractor to manage the grievances and complaints as described above does not, either directly or indirectly, delegate to the

Contractor the County's responsibility for processing or oversight of any complaints, grievances, or appeals made by the County's CHP and HWLA members and medical providers.

9. Exhibit A, DESCRIPTION OF SERVICES, Subparagraph L, Contractor Record Keeping, shall be revised to read as follows:

"L. **Contractor Record Keeping**-Contractor shall maintain retrievable records relating to each County enrollee/member serviced under this Agreement. Records shall be maintained at a central facility for seven (7) years from termination of this Agreement or until all audits are completed and settled, whichever is later. The records shall be kept either electronically or paper-based in folders, identifiable by County enrollee/member and shall be made available upon County's request and transferred to the County, the County's authorized representative or the DMHC within 48 business hours.

10. Exhibit A-1, Paragraph 4, Statement of Work, COMPLEX CASE MANAGEMENT - COMMUNITY HEALTH PLAN, Subtasks 3.14(k), 3.14(l), 3.14(m), 3.14(n), and 3.14(o) shall be deleted in its entirety.

11. This Agreement shall further be amended as follows and is effective May 1, 2009:

2. CHP Nurse Advice Line:

A. County agrees with Contractor's offer for tiered "rate per call" schedule based on the monthly

call rate (total number of annualized calls divided by the total CHP enrollment for the month) for Nurse Advice Line services provided under the Agreement.

The call rate calculation is as follows:

$$\frac{\text{Number of calls received during the month} \times 12}{\text{Total Number of CHP Enrollment}}$$

B. The rate per call in Section 1 of the rate schedule entitled "CHP NURSE ADVICE LINE," Exhibit B, shall be revised as follows:

- \$28.04 for 0.001 - 0.030 call rate
- \$26.04 for 0.031 - 0.060 call rate
- \$24.08 for 0.061 or higher call rate

3. CHP Wellness Program:

A. Both parties understand and agree that CHP members are significantly underutilizing services described under Paragraph 5, "WELLNESS PROGRAM - COMMUNITY HEALTH PLAN (CHP)."

B. Contractor agrees to suspend the Wellness Program services and County's payment thereof until further notice by County.

11. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

IN WITNESS WHEREOF, the Board of Supervisors of the County Of Los Angeles has caused this Amendment to be subscribed by its

Director of Health Services and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officers, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
John F. Schunhoff, Ph.D.
Interim Director of Health Services

MCKESSON HEALTH SOLUTIONS LLC

By _____
Signature

Printed Name

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL

APPROVED AS TO CONTRACT
ADMINISTRATION:

DEPARTMENT OF HEALTH SERVICES
CONTRACTS AND GRANTS DIVISION